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RUEHHK/AMCONSUL HONG KONG 0256
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S E C R E T SECTION 01 OF 03 QUITO 002616

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TAGS: [PREL](#) [ETRD](#) [EAIR](#) [EPET](#) [MARR](#) [EC](#) [CN](#)

SUBJECT: ECUADOR: CHINESE DIPLOMAT ON CORREA'S TRIP TO CHINA

REF: QUITO 2556

Classified By: Charge d'Affaires Jefferson Brown for Reasons 1.4 (b&d).

[11](#). (S) Summary. Political and Economic officers met with two diplomats from the Chinese Embassy in Quito on December 3 to discuss President Correa's visit to China on November 20-25, [12](#)2007. The GOE sent a large delegation to China and signed 14 agreements to promote cooperation in energy, education, healthcare, science and sports. According to the Chinese diplomats, the agreements were long on intent and short on substance. They expressed doubts on the likelihood of a Chinese concession to manage the Manta commercial airport, calling press coverage in Ecuador overstated, while expressing cautious interest in Chinese involvement in construction of a Manta-Manaus road/riverine transportation link. End Summary.

Correa's Trip to China

[12](#). (U) President Correa's trip to Asia included a brief stop in Riyadh for the OPEC summit on November 19, six days in China on November 19-25, and two days in Jakarta to discuss commercial cooperation on November 26-27. The six-day visit to China represents the most time Correa has spent in any one country on an official visit as president. Correa spent three days and four nights in Beijing, one day in Xian and one day in Shanghai. A large delegation of cabinet-level ministers accompanied the President, including Rafael Paredes (as Acting Foreign Minister), Caroline Chang (Minister of Health), Fausto Ortiz (Minister of Economy and Finance), Galo Chiriboga (Minister of Mines and Petroleum), Maria Isabel Salvador (Minister of Tourism), Hector Villagran (Minister of Sports), Julia Ortega (Secretary General of Communication), Carlos Pareja (President of Petroecuador), and Leonardo Vicuna (President of the GOE development bank Banco del Estado).

[13](#). (C) While in Beijing, Correa met with Chinese President Jintao HU at the Great Hall of the People, with legislator Banguo WU, and with Changchun LI, a member of the 17th (current) Politburo Standing Committee of the Communist Party of China (CPC). (Note: Changchun LI is regarded as the propaganda chief of the CPC, and is the fifth ranked member of the CPC).

14. (C) The Ecuadorians signed 14 bilateral agreements to promote economic cooperation in mining, hydrocarbons, education, healthcare, science and sports. According to Chinese Embassy Quito Economic and Commercial Section First Secretary Ming Wei CHENG, the agreements were long on intent

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and short on substance. Cheng said that Correa spoke at the Chinese Academy of Social Sciences in Beijing on "Socialism of the 21st Century." He also mentioned that Correa attended the opening ceremony of a China-Ecuador Tourist and Trade event and an exhibition of Ecuadorian contemporary art in Beijing. In Xian, Correa met with the China National Petroleum Corporation (PetroChina or CNPC) and the China Petroleum and Chemical Corporation (Sinopec) to discuss upgrading drilling facilities and improving refinery efficiency, as well as possible participation in the yet-to-be built oil refinery in Manabi. He said that CNPC had already signed a contract to provide services to PetroEcuador valued at more than USD 19 million. In Shanghai, Correa visited the Museum of Urban Planning and Shanghai Fair 2010, and met with telecommunications companies ZTE and Alcatel.

Manta - More Hype than Hoped?

15. (S) The Ecuadorian press has heavily covered Correa's interest in making Manta the gateway to Asia (see reftel). According to Cheng, President Correa expressed strong interest during his visit in Chinese investment in Manta. Cheng commented, however, that he didn't consider it likely that China would pursue administration of the commercial

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airport in Manta. He said that China lacked the expertise in concessionary airport management, and that his government was not interested in any long-term concessionary agreement. Chinese economic assistant Zhen Xin "Linda" LIN added that the rumor about the Chinese having participated in the construction of 49 airports was not accurate. Cheng commented that he also didn't see any Chinese interest in expansion of the commercial airport to make it more "international."

16. (S) Cheng said that the development of a transnational road/riverine connection linking Manta and Manaus was a stronger likelihood for Chinese investment. He said that this project was a better fit for Chinese investment -- less technical and requiring fewer Chinese personnel. Cheng cautioned, however, that such a venture would be logistically difficult, very expensive, and long-term, and that the benefits touted by the press have been overstated. He also said that he was unaware of any discussions between the Chinese and Brazilians on this issue.

Politics and Economics

17. (S) Cheng commented that he viewed Correa's political strategy as focused on his efforts to consolidate power in the central government, and that Manta was a prime example of such a strategy. Cheng said that Correa's motive behind supporting Manta was to create competition for Guayaquil, and thereby weaken Guayaquil Mayor Nebot's opposition as well as Ecuador's economic dependency on Guayaquil. He views the addition of the two provinces as a political move by Correa to weaken political opposition.

18. (S) Cheng opined that doing business had become more challenging under the Correa administration. He cited as an example that the Ecuadorian Foreign Ministry was reviewing every MOU or LOA signed with China in order to protect its sovereignty and commercial interests, saying that he thought that the MFA was doing this with all countries. He added

that Ecuador had become more protectionist in regard to imports of Chinese textiles, ceramics and shoes.

¶9. (S) Cheng said that CNPC and Sinopec had indeed agreed to pay 99% of extraordinary revenues per the presidential decree implemented in October 2007. He said that the Chinese had attempted to negotiate a unilateral exception but were unsuccessful and understood that an exception for China would open the door for difficulty with other multinationals. He said that a task group that included Sinopec, CNPC and the MFA was formed in Beijing to discuss the issue. This group decided that agreement to share extraordinary revenues with the state was appropriate, but Cheng warned that this might or might not be a permanent decision. (Comment: All other foreign oil companies have told us that the 99% decree would make their operations unprofitable and that they were attempting to negotiate alternative arrangements that would be more acceptable. We suspect that this might also be the case for the Chinese petroleum companies operating in Ecuador.)

¶10. (U) Ecuador has received USD 1.8 billion of investment from China to date, making it the leading recipient of Chinese investment in Latin America. Ecuador's main exports to China are agricultural products, wood, metal and fish. The biggest single commodity is banana. China's exports to Ecuador include textiles and garments, toys, shoes and televisions.

¶11. (C) Biographical Comment. During the meeting, Cheng and his wife Lin were casual and friendly and appeared comfortable in expressing their views. Cheng is a career diplomat, is the second in the Chinese Embassy's economic and commercial section, has been in Quito for two years, and has at least another year left in his tour. He is traveling back to China on personal leave in February for one month, then returning to Quito. Cheng and Lin are in their early fifties and have adult children who do not live in Ecuador. End

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Comment.
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